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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000915

SIPDIS

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SUBJECT: Co-Chairs' June 1 statement stirs up more
reaction in Sri Lanka while Tigers remain intransigent

Refs: (A) Colombo 911, and previous

(U) Classified by Ambassador Jeffrey J. Lunstead.
Reasons 1.5 (b, d).

1. (C) SUMMARY: Foreign Minister Kadirgamar told Ambassador that the Co-Chairs' Brussels statement could be seen as a "threat" to the GSL. In the Wanni, the LTTE rejected a World Bank proposal for a mechanism to deliver development funds for the north/east. The Co-Chairs' statement clearly puts pressure on the government. The Tigers may be less concerned. END SUMMARY.

Foreign Minister on Brussels Statement

2. (C) At a social event for the visiting Millennium Challenge Corporation team on June 3, the Ambassador asked Foreign Minister Kadirgamar, returned from New Delhi only at midnight the day before, if he had read the Co-Chairs' statement from Brussels. Kadirgamar responded that indeed he had. He said that an emphasis on restarting the peace talks was good, but that "some people" would see the comments on donor funding as a threat. Ambassador responded that the language was not a threat; rather, it was a simple statement of fact. The reality was that in the world today, where there were many crises and demands for funds, money would inevitably go elsewhere if it could not be used in Sri Lanka.

3. (C) Kadirgamar's use of "other people" may refer to the JVP. Newspapers reported on June 4 that the Janatha Vimukthi Peramuna (JVP) -- the major partner in the President's United People's Freedom Alliance (UPFA) -- had issued a statement in response to the June 1 co-chairs statement. In its response the JVP states that the Co-Chairs should pressure the LTTE into returning to peace talks. The JVP statement goes on to blame the LTTE for the delay in resuming negotiations, calling the group's insistence on having its Interim Self-Governing Authority (ISGA) proposal be the only subject for talks a "precondition." In the end, the statement says that any conditions by the international community on the disbursement of the pledged \$4.5 billion in aid could be "construed...as cooperating with the LTTE in reaching their objectives."

4. (C) The Ambassador is also seeking appointments with President Chandrika Kumaratunga and Opposition Leader Ranil Wickremesinghe to emphasize points in the June 1 Co-Chairs' statement and to solicit their feedback.

LTTE Rejects Assistance Fund Proposal

5. (C) World Bank Resident Representative Peter Harrold told Ambassador June 2 that he had traveled to Kilinochchi on June 1 to attempt to obtain LTTE agreement to a plan for a development assistance scheme for the North and East, a "NERF-Lite" which would have allowed donors to commit funds to a World Bank fund. Projects would have had approval by both the LTTE and the GSL. LTTE would have had substantial influence over use of funds in their areas. The plan had essentially been approved by the LTTE in January, and had been approved by President Kumaratunga recently. The LTTE this time rejected it out of hand, telling Harrold that the GSL's backing away from its commitment to discuss only the ISGA at renewed talks made them distrust anything the Government promised. The answer to development needs, they said, is to establish the ISGA. Dutch Ambassador told Ambassador June 4 that the Dutch are furious at this latest LTTE antic, and will tell the Tigers they will not proceed with projected assistance projects in Tiger areas. The Dutch will also tell the Tigers about the Donor Working Group which is developing benchmarks on performance on Tokyo Declaration milestones so that Tigers understand that donors will need to see progress on a number of areas.

Asymmetrical Pressure?

16. (C) COMMENT: As noted in Reftel, many Sri Lankans have welcomed the Co-Chairs' statement's sense of urgency on resuming the talks. There is, however, a certain asymmetry in the pressure brought by the statement. The LTTE rejection of "NERF-Lite" underscores what the bilateral and multilateral donors who work in LTTE areas have said for some time: in the end, assistance is not a strong lever for moving the Tigers. With their brutal hold on the population and ability to largely disregard public opinion, the Tigers are able to focus almost entirely on their political goals. The GSL, on the other hand, will feel considerable pressure. The challenge will be to figure out how to apply pressure to the Tigers also, so that they do not just sit back and wait for the government to come to them. END COMMENT.

17. (U) Minimize considered.

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